



EI-18691

August 17, 2011

PROJECTS, ENGINEERING & GRANTS

TEL 907.265.3095

Victoria Rutson
Director
Office of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC

RE: Response to inquiry relating to ongoing construction at Port MacKenzie

Dear Ms. Rutson:

Thank you for your inquiry regarding the construction presently ongoing at Port MacKenzie and its relation to the Port MacKenzie Rail Extension (PMRE) project that is presently before the Board in accordance with the Alaska Railroad Corporation's petition for an exemption. As I understand it, your inquiry was prompted by an article in the August 8 *Frontiersman* entitled "Port work keeps pace." This newspaper article is admittedly a bit confusing, but none of the ongoing work it describes is part of the PMRE. Rather, the article is discussing work on the Borough's bi-modal bulk materials facility (BMBF) at Port MacKenzie. No work on the PMRE will commence until and unless the Board approves the project.

As discussed in a December 16, 2008 letter to you from the Matanuska-Susitna Borough Manager, which I have attached for your convenience, the Borough has long been planning to construct the BMBF to facilitate the logistical needs of bulk material transportation at Port MacKenzie. The 2008 Alaska State Legislature provided \$17.5 million in capital funding in the FY 2009 budget for the development of the BMBF. Since receiving that money, the Borough has been working to build the BMBF, which will upgrade roads, staging and storage areas at the Port, while taking into account the potential location of the PMRE. Because the Borough does not have the project management, procurement, or engineering staff to easily undertake such a project, it entered into a separate project management contract with ARRC to support development of the BMBF.

The ongoing and completed construction discussed in the *Frontiersman* article is all related to the BMBF, not the PMRE. Indeed, because the PMRE has not received Board approval, the BMBF project was broken into phases that would allow for construction of the truck aspects of the project starting in 2009, and postpone any work on future BMBF rail appurtenances until and unless a favorable decision is reached by Board.

Construction started on Phase 1 of the BMBF project in 2009 (see attached figure, phase 1 shown in yellow) and consisted of primarily a new truck access road off the Point MacKenzie road, connecting it with the upper end of the port's conveyor system. When combined with Lou Young Road, this allows for trucks to "loop" through the facility, as well as providing access to the



large material staging area being developed at the port. To facilitate the ultimate common use of the material storage area, it is anticipated that this truck access road would share a common embankment with a future rail line for a short section generally along the curve at the northeast side of the project. The remainder of the road embankment constructed is at a significantly different grade than what the railroad will ultimately require. No railroad grade construction has been initiated.

Phase 2 of the BMBF project (shown in red/ orange) consisted of the expansion of the materials storage and logistics area. This consists of a level, free-draining pad for eventual development for materials stockpiling, processing, and transport to and from the dock. Final development will be completed by a future tenant in a configuration that meets the needs of the commodity(ies) being shipped which is not known at this time.

Phase 3 of the BMBF project will be the construction of the BMBF railroad facilities if and when a favorable decision is issued by Board on the PMRE project. A portion of this work is shown in green on the attached figure, and consists of the south end of the rail loop, but also includes the additional embankment work to the north, which would connect the BMBF rail loop with the PMRE.

Phase 2 of the BMBF project was completed this week. Phase 1 was completed last year. The State of Alaska has again this year committed \$30 million in capital funding for the project, bringing the total state commitment to the project to nearly \$100 million. There is presently a solicitation advertised for Phase 3 of the BMBF, but it has been delayed several times to allow for the conclusion of the Board's process with the PMRE project. Again, no work will begin on the PMRE project until and unless the Board approves that project.

We look forward to what we expect is a favorable decision by your agency soon for this critical state infrastructure project. If you have any additional questions or concerns, please feel free to contact me at your convenience.

Sincerely,

Brian A. Lindamood, PE
Project Manager

Enclosure

cc: Thomas E. Brooks, PE
Joseph Perkins, PE
Brad Sworts

E1-17971



MATANUSKA-SUSITNA BOROUGH

Borough Manager

350 East Dahlia Avenue • Palmer, AK 99645

Phone (907) 745-9851 • Fax (907) 745-9876

www.matsugov.us

Rec'd 1/6/09

December 16, 2008

Victoria J. Rutson
Chief
Section of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Subject: Port MacKenzie Bulk Materials Facility

Dear Ms. Rutson:

I am writing to provide you with information concerning the Matanuska-Susitna Borough's ("Borough") plans to develop a bi-modal bulk materials facility ("BMF") at Port MacKenzie, Alaska. As discussed below, the BMF is being developed by the Borough to accommodate the need for expansion of Port facilities to handle bulk material cargo to be transported to the Port by truck, independent of the planned rail line extension to Port MacKenzie ("Port MacKenzie Rail Extension Project").¹ The factual statements in this letter concerning the BMF are supported by the Verified Statement of Mark Mayo, Director of the Planning and Use Department for the Borough, which is enclosed.

A. BMF Development at Port MacKenzie

Port MacKenzie presently consists of a 500-foot bulkhead barge dock and a 1,200-foot deep-draft dock, as well as nearly 9,000 undeveloped upland acres available for commercial lease. All of this property is owned and operated by the Borough.

The Borough has recently received inquiries from potential shippers interested in shipping bulk materials in the near future through Port MacKenzie using heavy-haul trucks. Unfortunately, the current physical facilities at the Port are limited and are not able to handle these shipments under the current configuration. The only place to unload, stage and store bulk materials is occupied by a tenant holding a long-term lease. Moreover, moving bulk materials to the Port would require heavy-haul trucks that current roads at the Port likely cannot handle without some improvement or expansion.

¹ As you are aware, the Port MacKenzie Rail Extension Project is currently pending before the Surface Transportation Board, Finance Docket No. 35095. In that proceeding, authority to operate and construct that rail construction project is being sought by the Alaska Railroad Corporation ("ARRC") with support by the Borough.

To accommodate the need for bulk materials service, the Borough has been working to develop a plan to upgrade roads, staging and storage areas at the Port. Moreover, the Borough has entered into a separate project management contract with ARRC to support the development of such facilities. ARRC has extensive experience as a rail carrier in dealing with bulk material unloading, staging and storage.

As the Borough continues to plan for the BMF and future Port development, it will consider the location of ARRC's proposed rail terminal (which is planned as part of the proposed Port MacKenzie Rail Extension Project) in its decision-making.² As a practical matter, the Borough must now be looking at ways to maximize development of the BMF in a manner that will not inhibit or interfere with possible plans for rail service and rail-related facilities or other future development on Port property. But none of the Borough's plans for the BMF are in any way dependent on the construction of the ARRC rail extension or its rail terminal.

B. Port MacKenzie Rail Extension Project

Separate and apart from the BMF plans, the Borough is supporting ARRC's plan to extend rail service to Port MacKenzie. That project is currently before the Board pursuant to ARRC's requests to build and operate the proposed rail extension. The Board's review of this Port MacKenzie Rail Extension Project under the National Environmental Policy Act ("NEPA") is ongoing.

ARRC's purpose for the Port MacKenzie Rail Extension Project is to establish a rail link between the Port and ARRC's main line, thereby providing customers and shippers cost effective rail transportation between the Port and Interior Alaska. ARRC, not the Borough, would construct and operate the rail extension.

In connection with the Port MacKenzie Rail Extension Project, ARRC also plans to build a terminal reserve that would accommodate several straight yard tracks, a smaller yard for the sorting, collection, and distribution of car-load traffic, and support facilities to include administration, crew facilities, fueling, light servicing and repair. These operations and facilities would have no connection to the planned truck service into the Port or the planned BMF facility.

C. Independent Utility of the BMF and Rail Extension Projects

As described above, the proposed BMF and the Rail Line Extension Project are separate projects serving distinct purpose and needs of the Port. They are not "connected actions", nor are the two projects dependent on one another to proceed. Under applicable NEPA regulations, two projects qualify as connected actions in just three situations: (1) when one action automatically triggers another action requiring an environmental impact statement; (2) when one action "cannot or will not proceed unless other actions are taken previously or simultaneously;" or (3) when one action is an "interdependent part[]" of a larger action and depends on that larger action for its justification. 40 C.F.R. § 1508.25(a)(1)(i)-(iii). Viewed another way, two projects are not

² In connection with the BMF, the Borough (through ARRC its project manager) has been exploring with relevant federal, state and local agencies what permits and environmental compliance are needed to allow the project to proceed for service.

Victoria J. Rutson
December 16, 2008
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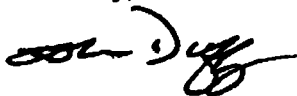
connected actions if each has "**independent utility**"—*i.e.*, "each of the two projects would have taken place with or without the other." *Wetlands Action Network v. United States Army Corps of Engineers*, 222 F.3d 1105, 1118 (9th Cir. 2000).

Applying these principles, the Port MacKenzie Rail Extension Project and the BMF project plainly have independent utility. Each would be constructed even if the other were not. As explained above, the BMF is intended to upgrade the bulk storage and staging facilities at the Port to accommodate pending requests for truck deliveries of bulk materials. Similarly, the Port MacKenzie Rail Extension Project is valuable to the Borough (and ARRC) wholly apart from the BMF upgrades at the Port because it is being developed with the intent of providing another mode of transportation—rail service—to the Port. If for some reason the BMF project did not move forward in the near term with the BMF, the rail extension would still be pursued. And if the rail extension were not constructed, the BMF project would still move forward. Therefore, the BMF project and the Port MacKenzie Rail Extension Project are not connected actions under NEPA.

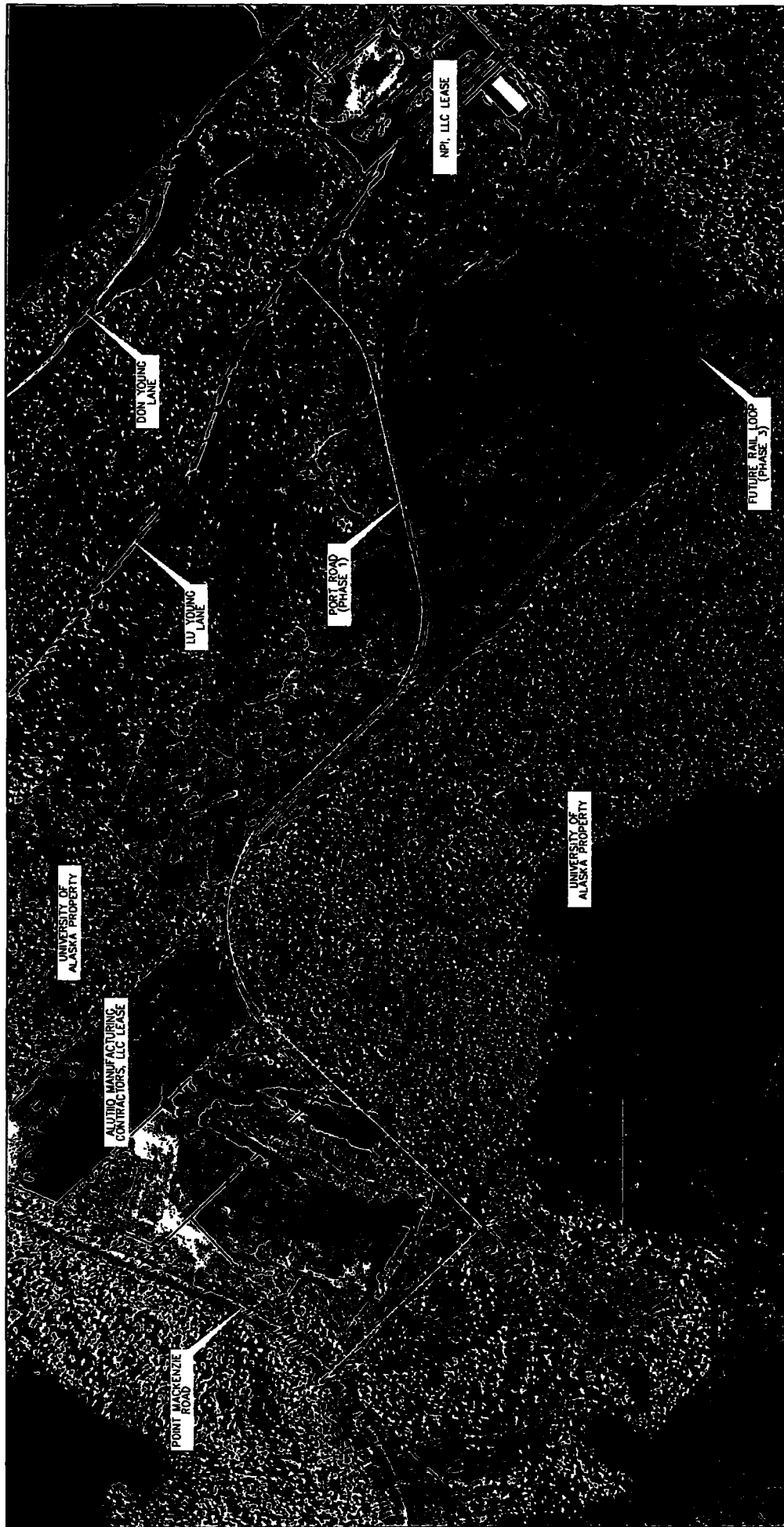
We hope this information provides useful background on the independent utility of the Port MacKenzie Rail Extension Project and the BMF project at the Port. Please let us know if you have any questions or need additional information.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "John Duffy", is written over a horizontal line.

John Duffy
Borough Manager



- PHASE 1 CONSTRUCTION (EXCAVATION 1.38 MCY, FILL 1.39 MCY)
- PHASE 2 CONSTRUCTION (EXCAVATION 1.28 MCY, FILL 1.29 MCY)
- PHASE 3 CONSTRUCTION (EXCAVATION 1.09 MCY, FILL .66 MCY)
- OVERLAP BETWEEN PHASES 1 & 2
- PHASE 1 BULK MATERIAL STORAGE PAD (24.6 ACRES TOTAL)
- PHASE 2 BULK MATERIAL STORAGE PAD (55.6 ACRES TOTAL)
- PHASE 3 BULK MATERIAL STORAGE PAD (76.4 ACRES TOTAL)

PORT MACKENZIE BI-MODAL BULK FACILITY	
CONSTRUCTION PHASES 1-3	
DESIGNED BY: DRAWN BY: CHECKED BY: APPROVED BY:	DATE: 08/07/2010
SCALE: AS SHOWN	SHEET NO. 1 OF 1

